

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 9** HLS 23RS 63

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 26, 2023	7:10 AM	Author: BUTLER
Dept./Agy.: Education		Analyst: Julie Silva
Subject: Education Scholarship Account Program		

SCHOOLS/CHOICE EG INCREASE GF EX See Note Page 1 of 2
Creates and provides for a program to provide state funding for the education of students with exceptionalities not enrolled in public school

Proposed law creates an Education Scholarship Account (ESA) Program to be administered by the Department of Education (LDE) in accordance with Board of Elementary and Secondary Education (BESE) rules. Requires LDE to allocate, from funds appropriated or otherwise made available, an amount equal to the "state's base per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula, plus any applicable weighted funds based on student characteristics," and to develop a system for parents to direct account funds to participating providers. Provides that funds must be used for qualifying educational expenses. Up to 50% of total funds deposited into the account in a school year may roll over if unused; funds may be returned to the state general fund under certain circumstances. Provides that up to 5% of appropriated funds may be withheld by LDE for administrative expenses. Provides that account funds do not constitute taxable income and shall not be claimed as a credit, deduction, exemption, or rebate.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

There will be an increase in state expenditures to develop and fund the Education Scholarship Account (ESA) Program. The Department of Education (LDE) anticipates program planning and administration will cost the department \$239,043, beginning in FY 24. Up to 5% of funding allocated to accounts may be withheld for administrative expenses. Local school systems may experience reduced costs due to reduced enrollment. The LFO interprets language in the proposed legislation to mean ESAs will be funded based on the average portion of the state's cost allocation of the MFP per-pupil base plus any additional per-pupil weighted allocations. Because the state's portion of such per-pupil allocations varies by district, the cost of ESA awards will not necessarily equal the amount saved through reduced MFP funding.

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REVENUE EXPLANATION

There may be a decrease in MFP allocations to local school districts to the extent that the proposed legislation causes students to attend nonpublic schools in lieu of public schools; however, the extent of such losses is indeterminable. The ESA shall be closed and funds in the account shall be returned to the state general fund if the student is determined to be no longer eligible, if an account has been inactive for two consecutive years, or if a parent fails to comply with the provisions of proposed law or state board rules or regulations pertaining to the program.

Proposed legislation states that account funds do not constitute taxable income and shall not be claimed as a credit, deduction, exemption, or rebate and thus will have no impact on state tax revenues.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

Beginning in FY 24, the LDE reports that it will require \$223,954 to create one (1) Education Program Consultant 4 position (\$82,441 base salary and \$37,098 related benefits) and one (1) Budget Analyst 4 or Budget Manager position (\$72,010 base salary and \$32,405 related benefits). The Education Program Consultant 4 will be responsible for the implementation of the program, policy and guidance development, partner/vendor management, and public outreach. The Budget Analyst 4 will manage the fiscal portion of the program and, in collaboration with other Education Finance staff and/or the external vendor, ensure that the program has appropriate fiduciary accountability. LDE reports that it will require \$15,089 in FY 24 for operating expenses. The LDE assumes an annual increase of 4% for staff salaries and benefits and a 5% increase for operating expenses.

Eligible students, among other criteria, must be enrolled in kindergarten or have been enrolled in a Louisiana public school during the previous year and be a student with an exceptionality other than being gifted or talented. Participants will receive funding equal to the state's base per-pupil allocation as provided in the MFP, plus any applicable weighted funds based on student characteristics. For the purposes of this fiscal note, the LFO interprets this language to mean the state's portion of the Level 1 base allocation of \$4,015 per pupil used in the MFP formula. This allocation varies from district to district, but the projected average across all districts in the 2023-2024 MFP formula is \$2,608 per pupil. Similarly, the state portion of allocations for weighted characteristics varies district to district, but in the projected MFP formula, the average state portion of the Students with Disabilities Weight is \$3,935. Based on this, a student in Louisiana who qualifies for these weights could expect to receive an ESA account deposit of \$6,543 minus administrative fees. Each student's ESA account allocation will vary depending on the weights for which they qualify. It is important to note that this example is illustrative only, and if the intent of the legislation is to allocate funds based on the state portion of MFP allocations where the student resides rather than the state average, ESA account deposits will vary across districts.

Regardless of implementation year, the program will require a separate, new appropriation of SGF dollars. Based on the average state allocation figures included above, if 2,000 public school students meeting the qualifications for the Students with Disabilities weight participate in the ESA program, accounts would be eligible for deposits totaling \$13.1 M and the LDE could withhold \$654,300 (5%) for administrative expenses. This would result in the ESA awards equaling an estimated \$6,216 each.

Proposed legislation requires the program begin enrolling students at the start of the 2023-2024 school year; however, LDE reports that they will require a planning year in order to begin enrollment in the 2024-2025 school year. During this planning year LDE intends to research contracting with an external vendor for services to administer the program, including an electronic system to manage the accounts and a data collection component on spending categories. To obtain a vendor/contractor, LDE would require an RFP to identify vendors through a competitive process. The RFP process, according to the Office of State Procurement, could take up to 12 months to complete in order to meet all the requirements of law. If a vendor cannot be procured to begin implementation until the RFP process is concluded, the planning phase could take over 12 months, inclusive of hiring the leadership team preceding the RFP process. Due to the above referenced conditions, LDE reports that funding would not be available for these students during the 2023-2024 school year, as no mechanism can be developed and implemented for administration of the program and disbursement of funds in the time available once the bill becomes effective.

Proposed legislation allows LDE to withhold 5% from each account for administrative costs. This 5% could cover a portion or all of the annual ongoing operating costs to support services, maintenance, and updates by the contracted vendor depending on the outcomes of the RFP.

The state and local school systems will experience either costs or savings depending on the resident school district of the participants; however, those costs are indeterminable.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

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